

Moving people: San Diego's
trolleys are ready to roll

July 13, 1981

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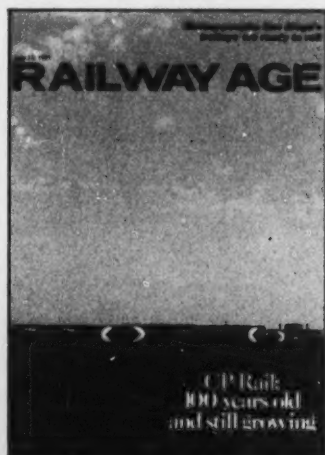
CP Rail:
100 years old
and still growing

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RAILWAY AGE

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Conrail and Amtrak have been grabbing the headlines, but many other issues are vying for attention in Washington. Meanwhile, the railroad industry as a whole is thriving; the railroad supply industry, unfortunately, isn't.

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COVER: Trainload of CP Rail covered hoppers in potash service on the Canadian prairie.

Midyear report: Unfinished business in Washington

By BILL FAHRENWALD,
Associate Editor

In Washington, a long agenda of unfinished business dogs the railroads at 1981's mid-point. Most of the issues that awaited action in January have seen movement, though some problems—like those of Conrail and Amtrak—have received more attention than others.

At least a dozen major questions vie for attention on Capitol Hill or before the ICC. With a new administration trying to change the shape of the federal government, it's not surprising that railroads are struggling just to be heard; prevailing, of course, is another matter.

This year's featured media performer has been Conrail, though Amtrak attracted considerable attention as it waged—and won—a fight for its existence as a national system. In the Northeast, the two issues are joined by the Corridor trackage and disputes arising over its use.

Legislation now before Congress would relieve CR of its commuter services and give them to Amtrak. Not all parties are yet in agreement on just how this should be accomplished and, in fact, not all commuter agencies are enamored with the idea of being uncoupled from Conrail only to be adopted by Amtrak.

Local and state authorities may be given the option of operating their own services, though this could raise problems with labor. Testifying before the Senate Surface Transportation subcommittee, New Jersey Commissioner of Transportation Louis J. Gambacini asked that commuter agencies be exempted from the Railway Labor Act. "Since most of a commuter agency's service is local," he said, "and since it is financed almost entirely by state and local funds, there seems to be little justification for not permitting the application of state labor laws in such instances."

Pending legislation also attempts to settle the long-running NEC cost dispute involving Amtrak, Conrail, and the commuter agencies. Essentially, the ICC would be directed to determine a fair price for Corridor use—and past debts would simply be forgiven.

Conrail is headed for a final resolution through government sale sometime between June 1, 1982 and the end of 1983, depending on what comes out of a House/Senate Conference Committee.

The House version would grant Conrail an additional \$375 million and at least

another 18 months to achieve profitability. Under the Senate bill, Conrail could be sold in one piece as early as June 1982; only \$150 million in federal funding would be provided to help the railroad back to solvency. The Senate bill also includes a provision to allow Delaware & Hudson additional Conrail trackage rights, though no money is provided for D&H.

Transportation Secretary Drew Lewis predicted the U.S. taxpayers will have invested as much as \$8 billion in the carrier when it is sold. But Lewis feels CR should be offered at a "discount" price of \$1 billion or \$2 billion. Better that, he says, than sell the railroad to its employees at a higher price, because "we feel that whoever buys CR [must have] the resources to support it. We'd much rather discount the price to make it attractive to a viable concern."

● **Back from the brink.** For Amtrak things looked very bleak as 1981 dawned. The Administration was talking tough about cutting back drastically on subsidies for a system that operated what Lewis called "empty trains." A ground swell of protest from around the nation and adroit maneuvering by Amtrak President Alan S. Boyd saved the day for Amtrak, though cutbacks of 15% from present service will still be necessary under the \$735 million FY 1982 budget that is headed for approval.

Amtrak has reason to be concerned about two other projects that bear directly on its future. The Administration aims to carve \$310 million from the Northeast Corridor Improvement Project (NECIP) by reducing the signal replacement program to a repair program and through plans to eliminate the new electrification project.

For service outside NEC, plans are also shaky. The Emerging Corridors report is receiving only a lukewarm reception, perhaps a result of the strain many congressmen are experiencing to keep up with the plethora of other rail issues they face.

If current House legislation is passed, Amtrak will be directed to prepare a plan to develop the most promising corridors. The report, due Jan. 15, 1982, would establish a timetable for starting or improving service on the corridors by late 1985. The study is also to contain plans for cutting Amtrak's costs by \$100 million annually, including recommendations for reducing, discontinuing, and restructuring routes presently served.

The railroads

For railroads, 1981 is shaping up as an uncommonly good year, financially speaking. For railroad equipment suppliers, the picture is less rosy.

The reason for this is that the railroads' current prosperity, such as it is, is coming not from increased traffic, but from higher rates and tighter cost controls. Right now the carriers have more than enough equipment to handle the available freight, due to the extraordinarily heavy purchases of the last two or three years. Around 125,000 freight cars are idle; it's estimated that up to 2,500 locomotives are in storage.

● **Loadings down, profits up.** Despite the fact that carloadings were down more than 2% in this year's first quarter, and ton-miles were up only fractionally, the railroads were able to report net income of \$636 million, compared with \$263 million in first quarter 1980. Accounting for this were two principal factors: (1) the industry's ability to scale operating costs down to demand (employment is running about 6% lower than a year ago); and (2) a series of "timely" rate hikes that have let them recover increases in their overall costs at a far faster pace than in previous years. (Increases are coming on an even timelier basis now that the new quarterly cost index mechanism has gone into effect. The index is based on projected—not past—labor, material, and fuel costs. For example, a 2.8% increase that went into effect July 1 was based on anticipated costs as of Aug. 15—a far cry from the recent past, when railroads complained that the time lag between cost increases and compensating rate increases was costing them \$500 million to \$1 billion a year.)

But rate increases and cost controls do not respond to the railroad industry's basic need, which is more freight. In this respect, 1981 has been at best flat.

The first quarter's greatest strength was in coal loadings, which rose nearly 14% as users built up stockpiles in anticipation of the United Mine Workers strike. That strike lasted longer than anyone expected, and by June 20 coal traffic for the year to date was down 13.6%.

One bright spot in the current traffic picture, and a long overdue one, is provided by motor-vehicle traffic. Loadings in the first quarter were down 14.7% from 1980; but by June 20 that deficit had been wiped out.

Also on the comeback trail is piggyback. In six recent consecutive weeks, TOFC/COFC loadings were ahead of year-ago levels.

For calendar 1981, the AAR ex-

prosper; their suppliers don't

CARLOADINGS: 1981 vs 1980

Commodity	Jan. 1 to June 30 1981	% change from 1980
Grain	675,345	- 4.6%
Farm products ex. grain	103,074	- 3.3%
Metallic ores	749,497	+ 4.3%
Coal	2,355,333	-13.6%
Crushed stone, gravel & sand	308,486	-10.4%
Nonmetallic minerals	339,804	- 6.4%
Grain mill products	374,328	-13.3%
Food & kindred products	403,554	-11.3%
Primary forest products	475,517	- 3.9%
Lumber & wood prod. ex. furniture	217,930	- 7.1%
Pulp, paper & allied products	503,404	- 5.0%
Chemicals & allied products	700,190	0.0%
Petroleum products	133,807	-11.6%
Stones, clay & glass products	354,074	- 7.9%
Coke	183,239	+ 7.5%
Metals & products ex. coke	422,343	- 2.6%
Motor vehicles & equipment	440,988	+ 0.9%
Waste & scrap materials	322,696	- 0.5%
Forwarder & shipper assn. traffic	255,092	- 8.9%
All other carloads	1,011,673	- 4.4%
LCL traffic (cars)	6,245	+12.9%
Total cars loaded	10,316,599	- 6.5%

pects carloadings to come in about 1% below 1980, although ton-miles will be up around 3% due to heavier loads and longer hauls.

● **For carbuilders, a dry spell.** If the railroads are holding their own (or better) in this sluggish business year, as much cannot be said for some of their big suppliers, especially the carbuilders and their component manufacturers.

In this year's first five months 23,595 freight cars were delivered but only 9,418 cars were placed on order. The June 1 backlog was 35,588 cars. In the comparable period last year, 40,437 cars were delivered, 24,645 cars were placed on order, and the June 1, 1980, backlog was 87,451.

Some estimates now call for the delivery of around 50,000 new cars this year, and 22,000 new cars placed on order. When can a turnaround be expected? The best guess is around mid-1982. The carbuilders expect 1983 and 1984 to be strong years.

The builders see a long-term requirement of 68,000 cars a year, on the

average. That could mean, of course, 100,000 cars one year and 36,000 the next—the kind of feast-or-famine business that drives builders up the wall and their costs off the charts.

● **"We're hurting badly."** Locomotive builders had been expecting a bad year—and it's turning out to be worse than expected. Current estimates are that fewer than 550 units (diesel-electric and electric) will be delivered to U.S. roads this year—and that's the lowest total since installations dipped to 488 new units in 1976.

Business, says Warren A. Fox, director-sales and service for General Motors' Electro-Motive Division, "is down considerably from what we had thought it would be. We're hurting badly, domestically, because of the economy."

If there is a bright spot for EMD, it lies in the numbers on market penetration—and, says Fox, those numbers show EMD delivering better than 70% of the new units to be put into service on U.S. roads in 1981. (Worldwide, he notes, EMD's share is slightly greater, at about

75%, including locomotives built here for service in North America, units built for export, and engine sets built in the U.S. for locomotive applications around the world.)

But Fox is not pessimistic for the long term. He sees little possibility for a pick-up in orders this year or in the early months of 1982, but he remains an optimist about the second half of '82 and succeeding years—his optimism based in large part upon the rail industry's being able to take advantage of deregulation freedoms and of basic fuel efficiencies. In the meantime, he says, EMD's top research-and-test priority continues to be further improvement in fuel efficiency.

A few roads are now testing EMD units to measure how much improvement has been made—and Fox is convinced that when those tests are completed later this year, EMD power will be shown to be as fuel-efficient as any that's available.

Meanwhile, the market for export locomotives is providing some cushion against the bad news at home. General Electric, for example, plans to ship at least 100 locomotives this year to Mexico, part of an order-for up to 1,000 that GE nailed down with the National Railways of Mexico last year. At a recent briefing in Erie, where GE described its own fuel-efficiency gains (*RA*, April 27, p. 28) market forecasters were estimating that total U.S. locomotive production, domestic and export, would approach 900 this year (down from 1,600 last year) and that of these up to 300 would be for export.

Less badly off are suppliers in the maintenance of way field, where spending is being maintained at a fairly high level. An exception is Conrail, which has been slashing every possible expenditure under rising pressure from Washington. One supplier who built a plant primarily to serve Conrail reports that only 10% of his 1981 contracts have so far been honored.

Suppliers in the signaling and communications fields also report good business on the whole, although the Federal Railroad Administration's decision not to resignal Amtrak's Northeast Corridor lines will deprive two of the big signaling companies of big chunks of business.

While suppliers have seen better days, they have also seen worse days. As one of them recently put it: "Those of us who have made a long term commitment to the railroads, and are in this for the long haul, are going to do all right in the long run. The railroads are clearly in a period of rebirth; we're going to share in that."

REVENUES AND EXPENSES OF RAILWAYS

First quarter figures of calendar year 1981

(Dollar figures are stated in thousands: i.e., with last three digits omitted)

Operating expenses

Operating revenues — Way & structures — Equipment

	Freight	Other	Total	Total	Total	Total	Total	Total	Total	Operating ratio	Income after fixed charges	Net Ry. operating income	Net income
	1981	1980	1981	1980	1981	1980	1981	1980	1981	1981	1980	1981	1980
Amtrak	274,221	274,221	256,477	21,922	16,492	938	80,941	81,737	15,290	111.32	265,311	(15,676)	(15,676)
Atchafalaya, Topeka & Santa Fe	568	13	581	11,416	89	79,615	4	128	114,634	91.97	535	479,782	35
Baltimore & Ohio	243	8	252	232,134	37	32,404	2	58	57,941	93.11	234	216,901	12
Bessemer & Lake Erie	21	1	22	19,103	3	4,222	—	2	5	93.43	16	11,876	13
Boston & Maine	1,653	30,556	27,944	5,567	5,064	282	8,088	7,791	360	20.294	74.92	106.23	2
Burlington Northern	898	25	923	679,867	124	94,348	6	200	144,031	88.90	88.44	125	95,999
Chesapeake & Ohio	239	8	247	207,528	35	31,253	2	50	50,645	87.54	93.39	52	26,154
Chicago & North Western	237	23	260	214	45	37	1	62	55	94.48	98.15	10	2
Chicago, Milwaukee, St. Paul & Pac.	91	12	103	106,449	10	42,954	1	35	43,135	107.49	153.80	141	(38,486)
Clinchfield	27	—	27	19,406	4	3,487	—	4	3,011	72.38	76.80	—	8
Colorado & Southern	37	—	38	29,599	6	4,605	—	8	7,355	83.53	90.85	13	7,321
Conrail	841	171	1,012	965,935	158	147,319	5	278	280,004	104.84	108.16	(58)	(79,867)
Delaware & Hudson	27	—	28	28,672	5	4,294	—	9	8,814	112.51	102.55	(5)	(1,600)
Denver & Rio Grande Western	78,800	1,379	80,179	68,803	13,326	11,431	621	12,284	11,419	84.23	86.92	11,987	7,758
Detroit, Toledo & Ironton	21	—	22	20,566	3	2,360	—	6	5,864	93.25	95.09	—	883
Duluth, Missabe & Iron Range	15	—	15	15,620	6	6,224	—	3	(141)	126.89	97.20	(3)	1,440
Elgin, Joliet & Eastern	18,054	11,558	29,612	31,258	2,989	3,375	193	2,960	5,110	77.25	83.93	8,385	7,154
Florida East Coast	25	—	26	22,886	7	4,791	—	1	3,476	87.05	76.48	4	6,181
Ft. Worth & Denver	42	—	43	31,297	7	4,542	—	9	6,932	77.32	10	7,070	6
Grand Trunk Western	53	3	56	53,413	6	5,338	—	11	13,779	96.00	98.09	1	1,609
Illinois Central Gulf	256	20	276	248,680	46	37,287	2	74	65,027	96.26	94.73	10	6,400
Kansas City Southern	71	4	75	66,989	14	10,826	—	16	15,207	86.49	85.48	9	9,346
Long Island	5	82	88	84,426	20	17,604	—	22	19,410	114.72	105.83	(13)	(5,127)
Louisville & Nashville	305	6	311	263,757	47	41,306	2	70	67,038	90.82	96.16	23	6,554
Missouri-Kansas-Texas	66	4	69	49,860	10	6,340	—	21	15,009	90.49	94.33	4	1,244
Missouri Pacific	465	14	478	398,809	67	46,560	2	108	94,476	86.19	87.39	59	42,298
Norfolk & Western	431	14	445	367,142	58	48,120	3	75	73,072	73.17	80.72	136	78,080
Pittsburgh & Lake Erie	18	1	19	18,920	3	2,788	—	3	1,090	94.55	76.83	—	1,270
St. Louis Southwestern	89	2	91	68,056	15	8,986	—	15	9,227	87.55	83.11	10	10,039
Seaboard Coast Line	333	11	343	302,172	54	48,045	2	79	69,966	89.06	90.55	64	40,887
Soo Line	78	2	79	80,175	11	10,062	—	15	15,924	78.21	79.08	18	16,771
Southern	428	10	437	400,985	58	64,394	5	80	73,619	78.55	81.14	92	74,757
Southern Pacific	529	16	545	497,426	79	62,623	5	136	132,429	98.86	100.97	4	(9,449)
Union Pacific	527	8	535	477,482	70	77,535	3	99	92,769	82.22	87.51	82	47,967
Western Maryland	21	1	22	19,545	5	4,052	—	2	3,381	87.32	96.25	3	1,028
												61	38,527
												49	39,558
												64	79
												—	863
												8	7
												34	61
												11	11
												63	59
												6	4
												66	53
												2	2
												2	545

Market

CARLOADINGS

Loadings of revenue freight in the week ended June 20 totaled 437,422 cars, according to the Association of American Railroads. This was a decrease of 11,145 cars, or 2.5%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended June 20 are estimated at 18.0 billion, a decrease of 0.3% below the corresponding week of 1980.

REVENUE FREIGHT CARLOADINGS

Commodity	June 20 week	June 13 week	June 6 week
Grain	27,682	25,182	22,324
Farm products	4,086	4,489	4,650
Metallic ores	37,747	36,120	34,004
Coal	110,633	92,175	66,401
Crushed stone, gravel & sand	13,873	13,220	14,145
Nonmetallic minerals	13,202	14,641	14,852
Grain mill products	13,791	13,926	15,334
Food and kindred products	15,209	15,359	16,211
Primary forest products	18,786	18,437	19,150
Lumber & wood products (except furniture)	8,904	8,413	8,636
Pulp, paper & allied products	19,584	19,259	20,376
Chemicals & allied products	26,455	26,280	25,773
Petroleum products	4,855	5,010	5,171
Stone, clay & glass products	14,116	14,115	14,607
Coke	7,213	7,388	7,034
Metals & products	6,219	16,148	17,100
Motor vehicles & equipment	19,896	20,295	20,654
Waste & scrap materials	12,611	12,770	12,877
Forwarder & shipping assn. traffic	9,680	10,130	10,179
All other carloads	42,659	42,051	41,096
LCL traffic	221	221	242
Total cars loaded	437,422	415,629	390,816
Cumulative total,		1981	1980
25 weeks	10,316,599	11,033,564	
Estimated revenue ton-miles			
(billions), 25 weeks	431.8	442.4	

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended June 13 totaled 34,009 cars (6.8% above the corresponding 1980 week) and 60,593 trailers or containers (up 3.1% from 1980). Cumulative volume for the first 24 weeks of 1981 is 773,803 cars (down 1.4% from 1980) and 1,402,003 trailers or containers (down 1.7% from 1980).

CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the ten-day period ended May 31 totaled 6.6 million tons (down 21.0% from 1980). Cars loaded totaled 96,236 (down 18.2% from 1980). Cumulative loadings for 1981 were 104.8 million tons (down 2.8% from 1980).

● **Consolidation Coal Co.**—Has formed a joint venture and entered into a long-term sales agreement with Rheinische Braunkohlenwerke AG (Rheinbraun), one of West Germany's largest mining companies, for the development of up to five large underground coal mines in southwestern Pennsylvania. Consol Chairman and Chief Executive Officer R.E. Samples said the project, when fully developed, could produce 12.5 million tons of coal annually. The coal will move by rail to Baltimore for export. Consolidation Coal Sales Co. has acquired a terminal site at Baltimore which it plans to develop by 1983.

● **Egyptian Railroad Organization.**—Ordered 92 1,500-hp diesel-electric locomotives from the Diesel Division of General Motors of Canada Ltd. at a cost of \$100 million. This brings to 192 the total number of locomotives ordered by Egypt from GM Canada over the last five years. The purchases are financed by the Canadian Development Agency (17%), the Export Development Corp. (70.5%), and by the Egyptian Railroad Organization (a down payment of 12.5%).

● **Milwaukee Road.**—Has begun a \$15.3-million track-rehabilitation program between New Lisbon and Wausau, Wis., which will involve insertion of 111,000 new crossties, installation of 41 miles of continuous welded rail, and placement of 152,000 cubic yards of ballast.

● **Norfolk & Western.**—Applied to the Federal Railroad Administration for permission to install a traffic control system between St. Charles, Mo., and Wentzville, approximately 22 miles.

● **Southern.**—Asked the ICC for authority to issue, after competitive bidding, equipment trust certificates in the amount of \$24 million to help finance the acquisition of 239 3,600-cu-ft, 100-ton capacity covered hopper cars; 97 2,100-cu-ft, 100-ton capacity limestone hopper cars; and 20 GP-50 diesel-electric locomotives.

● **Washington Metropolitan Area Transit Authority.**—Ordered an additional 200 rapid transit cars from Breda Construzioni Ferroviarie of Pistoia, Italy, at a cost of approximately \$200 million. WMATA thus exercised an option that was contained in an earlier order for 94 cars, the first of which will be delivered early next summer. Delivery of the order for 200 more cars will take place between 1983 and 1986. The Urban Mass Transportation Administration is paying for 85% of the cars.

